CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

annual report

1968

Board of Directors

L. C. Bonnycastle, *Toronto*

J. Boyd Clarke, *Toronto*

R. Winfield Ellis, *Chicago*

C. Howard Gordon, *Montreal*

Hon. Walter L. Gordon, *Toronto*

R. A. Laidlaw, *Toronto*

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Hon. H. deM. Molson, *Montreal*

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B. H. Rieger, *Toronto*

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Hon. Walter L. Gordon, *Chairman*

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Hon. H. deM. Molson, *Vice-President*

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J. Boyd Clarke, *Vice-President*

J. P. Parker, *Vice-President*

J. A. McKee, *Secretary-Treasurer*

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Suite 1602,
50 King Street West,
Toronto, Canada

Transfer Agents

National Trust Company, Limited
Toronto and Montreal

Bankers Trust Company
New York

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Directors' Report to the shareholders:

The financial statements for the year ended 31 December 1968 are attached, and also a comprehensive report on the operations of our subsidiaries and divisions. Several of them encountered difficulties in 1968 which are reflected in the reduced earnings indicated by the consolidated financial statements for the year. The highlights are shown below, compared with those of 1967.

	1968	**1967*
Sales	$89,920,000	$101,674,000
Net income after tax	1,097,517	2,405,484
Income per share	$2.05	$4.49
Equity per common share	$52.43	$53.24

*In 1967, charges amounting to $169,715 were made to earnings to amortize the goodwill (classified as patents) of two subsidiary companies. As the total unamortized goodwill was written off to retained earnings in 1968, no amortization was charged against 1968 income. The figures for 1967 in the above table have been adjusted to make them comparable with those of 1968.

There were several reasons for the poor results in 1968. The most important of these were two long and costly strikes in the second half of the year in Dominion Forge and Welmet Industries. These strikes, of 16 weeks' and 10 weeks' duration, respectively, were settled on October 29th at Welmet, and on December 4th at Dominion Forge, but the companies' operations did not return to normal until the beginning of the current year. Even at this date, not all the business lost as a result of the strikes has been recovered. Another reason for the reduced earnings in 1968 was that losses were incurred by some of the other subsidiaries or divisions due, in part, to a reduction in orders from the railroads for cars and components.

The goodwill, less amounts previously amortized, which was paid for two of our subsidiaries amounting to $1,357,724, has been written off. Because of this and the depressed level of earnings, 1968 was the first year in the 19-year history of our company in which the equity per common share did not increase. The changes in the equity per common share from 1950 to 1968 are shown in a table attached to the

financial statements. It will be noted that the book value of the equity per share amounted to $52.43 at 31 December 1968.

Our controlling interests in two subsidiary companies, one of which, Canadian Motorola Electronics Limited, sustained a substantial loss in 1968, were sold as of the year-end. The effect of these transactions is reflected in the consolidated balance sheet as at 31 December 1968. The amount of $3,771,508 shown as recoverable has since been applied to reduce the bank advances.

Under the terms of our agreement with Motorola Inc. which was entered into originally in 1957, that company was entitled to purchase our controlling interest in Canadian Motorola Electronics Limited as at 31 December 1971. We concluded that it would be in our best interests to permit Motorola Inc. to acquire control of Canadian Motorola Electronics at the end of 1968, i.e., three years prior to the date specified in the agreement. We have retained a small minority interest in the company. In addition, we accepted an attractive offer for our 52% interest in Mechanics for Electronics, Inc., a small electronics company in Boston.

Towards the end of last year, two of our subsidiaries in the railroad supply field, International Equipment Company Limited and The Holden Company, Limited, were merged. When the operations and staff of the two companies have been fully integrated, there should be a substantial saving in overhead expenses. The new company is called IEC-Holden Ltd.

Mr. Alastair Gillespie, formerly a director and vice-president, resigned in July 1968 following his election as Liberal Member of Parliament for Etobicoke. We wish him every success in his new and highly important field. Mr. Gillespie's place has now been taken by Mr. Boyd Clarke who first joined us on November 1, 1967, but who during the past year had to devote his full time and attention to Canadian Motorola Electronics. Mr. Clarke was formerly the European Manager of the H. K. Porter Company Limited and has had wide experience in several of the areas in which our subsidiaries are engaged. Mr. Jack Parker, who has had a successful record as President of Canadian Thermos Products, Limited, Vice-President of King-Seeley Thermos Company, Ann Arbor, Michigan, and General Manager of the Thermos Division of King-Seeley Thermos Company, wished to return to Canada and joined us at the beginning of 1969 as a vice-president. Mr. C. R. Hollaman, formerly with Timberjack Machines Ltd. and before that with Ford of Canada, also joined us in January of this year as Controller. These additions will considerably strengthen our company's management team.

There have been some changes and still others are contemplated in the composition of the company's Board of Directors. All of us were saddened by the death of J. Grant Glassco, O.B.E., F.C.A., on September 20, 1968. Mr. Glassco was one of the founders of Canadian Management Company Ltd., and had been a director of that company, and of the present company which succeeded it, since 1945. His sound judgment, wide contacts in business and personal friendship will be missed by all of us.

Mr. R. A. Laidlaw and the Honourable R. Douglas Stuart were a great help in founding our company, and ever since have been valuable members of the Board. They have asked to be allowed to retire at the time of the annual meeting, but have agreed to continue as honorary directors.

Two new directors who will be nominated for election at the next annual meeting will be Mr. Lee Larkin, President of The Larkin Lumber Company Limited, and Mr. Val Stock, President of Canadian Chromalox. Both these gentlemen have proved themselves to be successful businessmen, and we are looking forward to benefiting from their experience and ideas.

Our company is in an extremely strong financial position and could easily finance a number of new acquisitions. The competition is very keen, however, and the prices at which Canadian companies have been changing hands are extraordinarily high. Nevertheless, we have been expanding our searches for attractive new investments, both in the United States and Canada.

Despite the disappointing results in 1968, we believe the prospects for Canadian Corporate Management Company Limited in the current year are decidedly encouraging. As stated, the strikes at Dominion Forge and Welmet Industries were settled late last fall. One of the subsidiaries which incurred a loss in 1968 has been sold. Measures have been taken which should materially improve the position of the other subsidiaries and divisions which did not do well in 1968. Steps have been taken to improve and strengthen the company's senior management team. And we look forward with confidence to a restoration of the company's fortunes in 1969.

Submitted on behalf of the Board of Directors.

WALTER L. GORDON, *Chairman.* L. C. BONNYCASTLE, *President.*

TORONTO, CANADA, March 11, 1969.

REPORT ON OPERATIONS

Canadian Corporate Management Company Limited serves a broad area of manufacturing, sales and service activities through its subsidiaries and divisions. In addition, it has supported the growth and development of certain new products to encourage Canadian research and the extension of manufacturing technology into new fields.

In this area, with the help of the Department of Industry, it has financed research work in hydraulics and is working on the development of the Baldrive motor under patents taken out by G. M. Barrett of Galt. Participation in the growing field of powder metallurgy was secured through the purchase in 1964 of Sinterings Limited. Neither of these projects has been profitable as yet, but they are examples of new industries which can make a contribution to Canada's economic growth.

Milltronics Limited is actively extending the principles of automation and instrumentation to the mining field, and has already completed a number of specialized contracts with leading mining companies in various parts of the world. Its business is growing and becoming increasingly profitable.

Northern Pigment, which manufactures synthetic iron oxide for use as pigment in the paint and building supply fields, has adapted its product to the uses of the electronic industry where it is a prime ingredient in the manufacture of ferrite cores, an essential component in television sets and other electronic products. While in the past Northern Pigment has not been a significant contributor to your company's profit picture, 1968 was its most successful year, and it should continue to expand.

Canadian Corporate Management is actively engaged in the building supply field through Larkin Lumber and its subsidiary Cashway Lumber. Under the able direction of L. W. Larkin, President, and J. M. Brunton, Vice-President, this company has expanded rapidly, and in 1968 its sales and profits again increased over those of the previous year. It should continue to occupy an increasingly important position in this industry.

Canadian Chromalox Company also serves the construction industry, with special significance to housing, as it supplies many of the electrical products used in the building and furnishing of Canada's homes. It is the leading company in the manufacture of baseboard heating units, it supplies a high percentage of the heating elements in electric stoves and electric water heaters, and participates in a wide variety of other types of electric heating products. 1968 was an excellent year, and with the strong demand for new housing, further growth is expected in 1969.

Canadian Corporate Management's subsidiaries in the metal forming and fabricating fields did not have a satisfactory year in 1968. Reference has been made in the

directors' report to the lengthy strikes at Dominion Forge Company and Welmet Industries Limited. These were very costly, and contributed heavily to the drop in Canadian Corporate Management's consolidated earnings in 1968. While both companies are now operating normally, there will be some carry-over into 1969 of the ill effects of the strikes. The union contracts signed in 1968 were for a period of three years, in both cases.

Guelph Engineering Company, a division of Welmet Industries, had an excellent year and the growth of the company should continue in 1969. It serves the oil and gas pipeline companies in Western Canada, and it is expanding its line of valves in this field.

In the mining field, Aerofall Mills Limited had another unsatisfactory year. Few mines requiring autogenous grinding mills were developed in 1968, and despite a great deal of test work and sales effort, no significant orders were received for installations in Canada or the United States, though the company did design and is in the process of installing a mill for Anglo American International (U.K.) Limited in Akjoujt, Mauritania.

Canadian Corporate Management has been represented in the past in the railway supply field by two companies, International Equipment Company Limited and The Holden Company Limited. Because of the low volume of new equipment purchases by the railway companies in 1968, both these companies had relatively poor years, and it was decided that the two should be merged under the name IEC-Holden Ltd. This has been done, and this company is now a strong national organization, with branches in many of the major Canadian cities. 1969 should be a more satisfactory year, as the railways have ordered more rolling stock than was the case last year, and the sale of industrial equipment also should show an increase.

Napanee Industries (1962) Ltd. suffered seriously in 1968 from the shortage of new equipment purchases by the railways. It is planned to reduce its dependence on the incidence of new railway car orders, and to expand its manufacture of proprietary products for other industries.

On the other hand, Albon Welding & Mechanical Works Ltd. enjoyed a better year than in 1967. As a subsidiary of IEC-Holden it should benefit from business which may be placed with it by its parent company.

In the printing field, Richardson, Bond & Wright enjoyed a better year in 1968 than in 1967, but results were still not entirely satisfactory. Competition remains keen, but the company expects to meet this with improved service and the most modern equipment in the industry. Sales appear to be growing satisfactorily, and 1969 should show a further improvement.

CANADIAN CORPORATE MA

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Consolidated Balance

(WITH 1967 FIGU

ASSETS

	1968	1967
Current Assets:		
Cash	$ 1,078,523	$ 274,948
Short-term securities at cost	175,000	
Accounts receivable	12,810,334	13,788,244
Receivable on the sale of investments in subsidiary companies (note 1)	3,771,508	
Inventories (note 2)	15,006,588	19,249,970
Taxes recoverable	903,094	507,709
Prepaid expenses	147,661	265,381
Total current assets	33,892,708	34,086,252
Fixed Assets, at cost (note 3)	23,269,682	23,162,932
Less accumulated depreciation	12,984,475	12,110,043
Net fixed assets	10,285,207	11,052,889
Other Assets:		
Non-current accounts receivable	435,662	496,494
Special refundable tax		182,680
Mortgages and other investments at cost	796,294	634,778
Patents and lease at cost less amortization (note 4)	868,477	2,327,353
Total other assets	2,100,433	3,641,305
	$46,278,348	$48,780,446

The accompanying notes are an i

Auditors' Report

To the Shareholders of

Canadian Corporate Management Company Limited:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1968 and the consolidated statements of income and retained earnings, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for certain subsidiary companies whose statements have been examined and reported on by other chartered accountants.

In our opinion, which insofar as it relates to the amounts included for subsidiary companies whose statements have not been examined by us is based solely on the reports of other chartered accountants,

GEMENT COMPANY LIMITED

nada Corporations Act)

eet / December 31, 1968

FOR COMPARISON)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
Current Liabilities:		
Bank advances	$ 7,092,355	$ 9,060,838
Accounts payable and accrued charges	6,332,210	6,932,843
Taxes due and accrued	1,593,402	1,287,682
Dividend payable	401,605	401,605
Total current liabilities	15,419,572	17,682,968
Deferred Income Taxes	1,087,931	1,122,397
Minority Interest in subsidiary companies	1,695,123	1,466,978
Shareholders' Equity:		
Capital stock		
Authorized—550,000 common shares without nominal or par value		
Issued and fully paid 535,473 shares	429,373	429,373
Retained earnings	26,629,406	27,061,787
Contributed surplus	1,016,943	1,016,943
Total shareholders' equity	28,075,722	28,508,103
	$46,278,348	$48,780,446

Approved by the Board:

WALTER L. GORDON, *Director*

L. C. BONNYCASTLE, *Director*

l part of the financial statements.

these financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for goodwill attributed to patents as explained in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada
March 11, 1969.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Income and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1968
(with 1967 figures for comparison)

	1968	1967
Sales	$89,920,000	$101,674,000
Income from operations before providing for the under-noted items	4,680,496	7,000,470
Deduct:		
Depreciation	1,720,489	1,950,789
Amortization of patents and lease	101,152	269,072
Loss on disposal of investments and fixed assets	74,471	66,863
Provision for income taxes	1,529,574	2,519,819
	3,425,686	4,806,543
	1,254,810	2,193,927
Add income from investments	116,669	147,789
	1,371,479	2,341,716
Deduct interest of minority shareholders in income of subsidiary companies	273,962	105,947
Net income for the year (note 4)	1,097,517	2,235,769
Retained earnings at beginning of the year	27,061,787	25,629,228
Gain on disposal of investments in subsidiary companies (note 1)	631,036	
	28,790,340	27,864,997
Deduct:		
Dividends ($1.50 per share)	803,210	803,210
Write off of goodwill attributed to patents (note 4)	1,357,724	
	2,160,934	803,210
Retained earnings at end of the year	$26,629,406	$ 27,061,787
Net income per share issued (note 4)	$2.05	$4.18

Notes to the Consolidated Financial Statements, December 31, 1968.

1. Effective December 31, 1968 the Company disposed of its investment in Mechanics for Electronics, Inc. and reduced its interest in Canadian Motorola Electronics Limited to a minority holding. The gain of $631,036 realized on these transactions is shown as a credit to retained earnings and the 1968 operating results of these two companies are included in the consolidated statement of income and retained earnings. The amount receivable of $3,771,508 reflected in the consolidated balance sheet at December 31, 1968 was received in February 1969 and applied to reduce the bank advances.

2. Inventories are stated at the lower of cost or market, with cost being determined substantially on a first-in, first-out basis. The market value for finished goods represents net realizable value and, for other inventories, represents replacement cost. At December 31, 1968 the inventories are as follows:

Finished goods	$ 6,122,656
Work in process	2,227,820
Raw materials	6,656,112
	$15,006,588

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED DECEMBER 31, 1968
(with 1967 figures for comparison)

	1968	1967
Source of funds:		
Net income for the year	$ 1,097,517	$ 2,235,769
Add (deduct):		
Depreciation and amortization	1,821,641	2,219,861
Increase (decrease) in deferred income taxes	(34,466)	417,802
Funds from operations	2,884,692	4,873,432
Gain on sale of investments in subsidiary companies	631,036	
Increase in minority interest in subsidiary companies	228,145	45,222
Net book value of fixed asset disposals	656,691	547,853
Recovery of special refundable tax	182,680	7,939
Decrease in non-current accounts receivable	60,832	23,527
Total	4,644,076	5,497,973
Use of funds:		
Purchases of fixed assets	1,609,498	2,593,757
Dividends	803,210	803,210
Increase in mortgages and other investments	161,516	114,818
Additions to patents		3,527
Total	2,574,224	3,515,312
Increase in working capital	2,069,852	1,982,661
Working capital at beginning of the year	16,403,284	14,420,623
Working capital at end of the year	$18,473,136	$16,403,284

3. The major categories of fixed assets and related accumulated depreciation at December 31, 1968 are as follows:

	Fixed Assets	Accumulated Depreciation	Rates
Buildings	$ 5,923,249	$ 2,074,445	4 to 10%
Machinery and equipment	16,670,291	10,875,116	20 to 30%
Leasehold improvements	116,058	34,914	Term of Lease
	22,709,598	12,984,475	
Land	560,084		
	$23,269,682	$12,984,475	

It is the companies' practice to provide for depreciation of buildings, machinery and equipment under the declining-balance method at the rates shown above and to provide for depreciation of leasehold improvements on a straight-line basis over the terms of the respective leases.

4. When an interest in Aerofall Mills Limited and in Aerofall Mills Incorporated was acquired in 1965 the goodwill, being the excess of cost over the book value of the two companies, amounted to $1,697,155. This amount was attributed to patents in Canadian Corporate Management Company Limited's consolidated financial statements and has been amortized at a rate of 10% per annum. As no significant orders for mill installations have been received in the past two years the unamortized goodwill of $1,357,724 has been written off. If the goodwill had been amortized on the same basis as in prior years the consolidated income for the year 1968 would have been decreased by $169,715.

5. Remuneration of directors and senior officers, as defined in the Ontario Securities Act, totalled $311,254 ($242,197 in 1967). Of this total, $136,375 ($118,000 in 1967) represented remuneration paid to the Company's directors, including directors holding salaried employment.

6. Contingent liability for notes and rental contracts under discount amounts to $2,433,000.

7. At December 31, 1968 the unfunded past service costs of employees' pension plans amount to approximately $3,438,000 ($856,500 in 1967) actuarially estimated. This amount will be charged to operations over a twenty-one year period. The increase in the amount of the unfunded costs is the result of a change in the computation of one operating division's contribution for past service from a fixed rate per hour worked to an actuarial basis.

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Summary of Consolidated Income and Retained Earnings

1950 to 1968

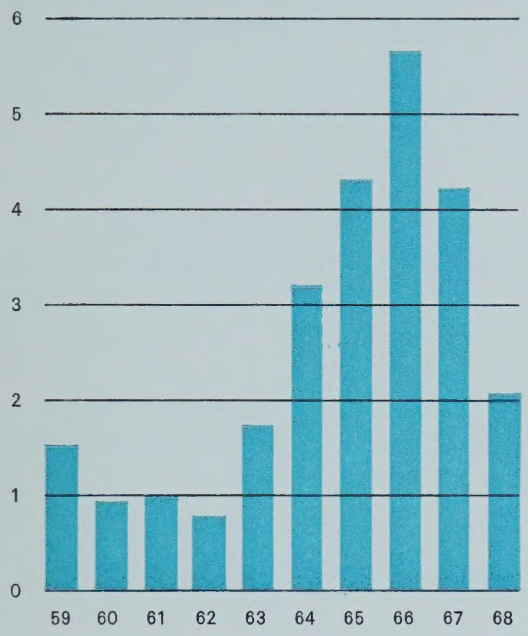
(expressed in thousands of dollars)

	Income after tax	Capital Profits and other adjustments (net) (note)	Dividends Paid		Increase or (decrease) in Retained Earnings	Per Common Share (expressed in dollars)	
			Preferred	Common		Net Income	Equity
1950	187				187	$ .54	$ .79
1951	251	(142)			109	.73	1.11
1952	617	390			1,007	1.15	3.27
1953	670				670	1.25	4.80
1954	662	130			792	1.24	6.98
1955	1,121				1,121	2.10	9.45
1956	1,445	69			1,514	2.70	12.55
1957	1,874	22			1,896	3.50	16.20
1958	837	(165)	73		599	1.43	17.35
1959	924	2,128	138		2,914	1.47	22.85
1960	603	100	123		580	.90	23.95
1961	622	355	108		869	.96	25.59
1962	502	555	88	267	702	.78	26.91
1963	973	1,874	77	266	2,504	1.68	31.60
1964	1,705	3,909	33	534	5,047	3.13	41.05
1965	2,284	516		668	2,132	4.26	44.99
1966	3,004	784		803	2,985	5.61	50.56
1967	2,236			803	1,433	4.18	53.24
1968	1,098	(727)		803	(432)	2.05	52.43
Totals	21,615	9,798	640	4,144	26,629		

Note—investment reserves charged to retained earnings in a year and completely reversed in a subsequent year are not reflected.

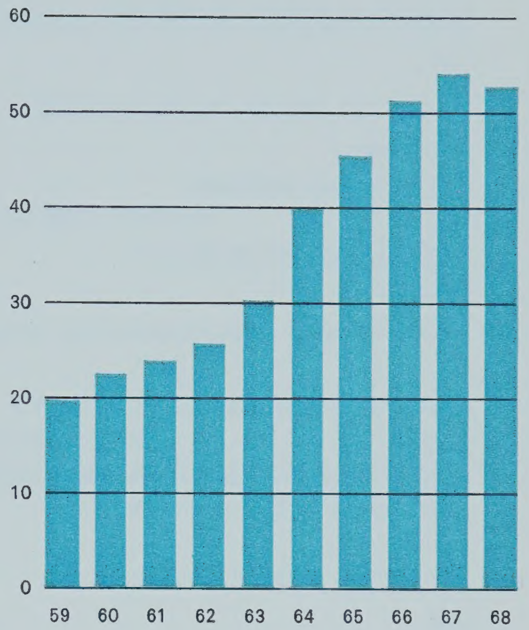
EARNINGS PER COMMON SHARE

in dollars



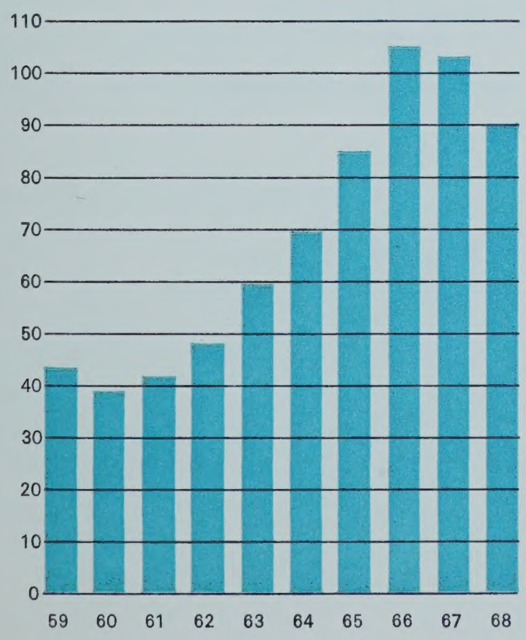
EQUITY PER COMMON SHARE

in dollars



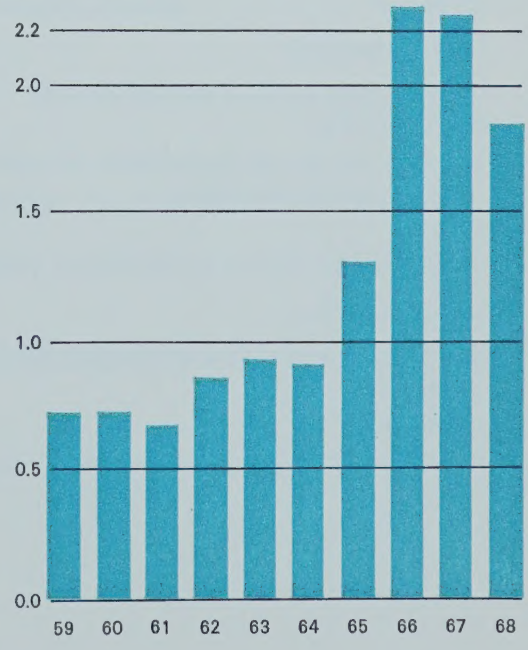
SALES

in millions of dollars



DEPRECIATION AND AMORTIZATION

in millions of dollars



Operating Companies

AEROFALL MILLS LIMITED
and
AEROFALL MILLS INCORPORATED
Mississauga
ORE DRESSING ENGINEERS

R. C. MEADERS, *President*

THE BALDRIVE COMPANY
Preston
MANUFACTURERS OF HYDRAULIC PUMPS AND MOTORS

J. S. COUSE, *Vice-President and General Manager*

CANADIAN CHROMALOX COMPANY
Toronto
MANUFACTURERS OF HEATING ELEMENTS AND ELECTRICAL HEATING EQUIPMENT

V. N. STOCK, *President and General Manager*

DOMINION FORGE COMPANY
and
DOMINION COLD EXTRUSIONS LIMITED
Windsor
PRODUCERS OF STEEL FORGINGS

HERBERT YOUNG, *President and General Manager*

IEC-HOLDEN LTD.
Montreal

A. N. CAMPBELL, *Chairman*
E. F. NEALE, *Vice-Chairman*
C. W. SMITH, *President*
J. W. BEDBROOKE, *Executive Vice-President*

and its subsidiary
ALBON WELDING & MECHANICAL WORKS LTD.

MARCEL SIMARD, *President*

MANUFACTURERS AND DISTRIBUTORS OF RAILWAY AND INDUSTRIAL EQUIPMENT

THE LARKIN LUMBER COMPANY LIMITED

L. W. LARKIN, *President*
J. M. BRUNTON, *Vice-President*

and its subsidiary
CANADA CASHWAY LUMBER COMPANY LIMITED
Mississauga
DISTRIBUTORS OF LUMBER AND BUILDING PRODUCTS

MILLTRONICS LIMITED
Peterborough
MANUFACTURERS OF ELECTRONIC CONTROL SYSTEMS

J. P. GEMMELL, *Vice-President and General Manager*

NAPANEE INDUSTRIES (1962) LTD.
Napanee
MANUFACTURERS OF RAILWAY EQUIPMENT
AND BOILERS

A. N. CAMPBELL, *Chairman*

NORTHERN PIGMENT COMPANY LIMITED
New Toronto
MANUFACTURERS OF SYNTHETIC IRON OXIDES
FOR PIGMENT AND ELECTRONIC APPLICATIONS

B. H. RIEGER, *President*
R. F. TAYLOR, *Vice-President and General Manager*

RICHARDSON, BOND & WRIGHT, LIMITED
Owen Sound
LITHOGRAPHERS, PRINTERS AND BOOKBINDERS

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J. M. CHRISTIE, *President*
C. G. FLEMING, *General Manager*

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Guelph
MANUFACTURERS OF POWDERED METAL PRODUCTS

D. H. THORNE, *President*

WELMET INDUSTRIES LIMITED
Welland

R. C. O'DELL, *Vice-President and General Manager*

and its valve division

GUELPH ENGINEERING COMPANY
Guelph
PRODUCERS OF STEEL AND ALLOY CASTINGS,
MANUFACTURERS OF VALVES

R. O. JOHNSON, *General Manager*

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